



# Crises in Variegated Capitalism, Co-produced, Hydro-social Impacts

Chris Büscher



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Tel: +44 (0) 1273915673; Email: [steps-centre@ids.ac.uk](mailto:steps-centre@ids.ac.uk); web: [www.steps-centre.org](http://www.steps-centre.org)

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## Acronyms

ARAs	Administrações Regionais de Águas
DMF	delegated management framework
DNA	National Directorate of Water
EMATUM	Empresa Mocambicana de Atum
GON	Government of the Netherlands
IMF	International Monetary Fund
IFI	international financial institution
MFA	Ministry of Foreign Affairs
ODA	official development assistance
SAP	structural adjustment programme
VC	variegated capitalism
VoC	varieties of capitalism

## Abstract

My PhD fieldwork on Dutch aid in the Mozambican waterscape took me from one crisis-ridden research context, the Netherlands, to another, Mozambique. This working paper asks how seemingly unrelated crises in both countries have jointly reproduced politico-economic and hydro-social conditions in Mozambique. To this end, literature on the political ecology of crisis and austerity is mobilised and adapted to the needs of this paper through the notion of variegated capitalism. This relational approach helps to make sense of interdependencies between the two crises (and the responses they triggered) in a singular global, but spatially differentiated, capitalism. The empirical part of the paper starts with Mozambique, where my fieldwork in 2016–17 coincided with a massive debt scandal that plunged the Mozambican political economy into a deep crisis. State responses to this crisis, notably austerity measures, deteriorated already challenging hydro-social conditions in the country. The paper then takes a leap back in time and space, and examines how the post-2008 financial crisis led the Dutch state to implement austerity programmes as well as other measures and reforms that sought to revive capital accumulation and enhance the economy's competitiveness. Among the targets of these reforms was Dutch aid; the crisis provided momentum to (neo)liberal demands for putting aid increasingly to work for, and have it eventually replaced by, trade. In the resultant 'aid and trade' agenda, water was designated a priority. A discussion follows on the contradictory effects of this agenda and other post-crisis reforms on politico-economic and hydro-social processes in Mozambique. The paper concludes that, overall, state responses to both crises have accentuated rather than redressed neoliberal ideas and processes that sparked the crises in question. These, in turn, have restrained rather than opened up the imagination and pursuit of alternatives to problematic pro-market pathways in the Mozambican waterscape. As such, the paper aims to show how two 'distant' crises, i.e. crises that have occurred in different spatio-temporal contexts, are connected and have co-produced conditions under which hydro-social development in Mozambique takes place.

**Keywords:** variegated capitalism, Mozambique, Netherlands, water, hydro-social conditions, aid and trade, financial crisis

# 1 Introduction

For Burawoy (2009), the politico-economic context in which social scientists investigate phenomena is crucial. In contrast to positivist science, he argues, context must not be viewed ‘as noise that disguises reality but reality itself’ (*ibid.*: 37). Instead of viewing context as a nuisance to be filtered out or controlled for, it must be seen and dealt with as shaping the phenomena under research and one’s research itself. With that in mind I entered the field. Yet I soon realised that context conditions can still be overwhelming, especially when they strike suddenly and with a profound impact.

Such was the case when I arrived in Mozambique for my yearlong fieldwork in mid-April 2016. By that time, the *Wall Street Journal* had just published an article (WSJ 2016) that would induce a major economic crisis in the country. The journal was the first to report on loans that the previous Mozambican government had taken without parliamentary and donor consent, totalling more than \$1.4 billion. This news triggered one event after another in a very short period of time. Donors and international financial institutions (IFIs) suspended financial aid to the state. The currency of Mozambique lost half its value, inflation rose to some 25 per cent, currency reserves shrank considerably and Mozambique’s credit rating was downgraded to ‘junk’ level – all within half a year.

I travelled to Mozambique from another country of interest to my research and that was just recovering from a long and deep crisis itself: the Netherlands. I refer here to the 2007–8 financial crisis that started as a credit crunch and developed into a debt crisis in Europe. Risk-taking activities of the large and interconnected financial sector of the Netherlands, its vulnerability to crises in the global financial system, a highly financialised Dutch society more generally (Engelen *et al.* 2010), in combination with a sharp decline in global consumption plunged the export-oriented Dutch economy into multiple recessions. These hit the Dutch economy and society hard and, with some intervals of recovery, lasted until 2014. The Dutch government responded to this crisis, as did the Mozambican government to the crisis they faced, with neoliberal austerity programmes and reforms in order to return to ‘normalcy’, i.e. (high) economic growth.

In this working paper, I explore the linkages between these crises and the responses they triggered, and analyse how they have combined to shape development prospects in the waterscape of Mozambique. I first ask how state responses to the politico-economic crisis in Mozambique have affected hydro-social conditions in the country. I then explore how crisis responses of the Dutch government have in more and less overt ways impacted politico-economic and hydro-social conditions in Mozambique. I situate this problematic in the emerging literature on the political ecology of crisis and austerity. This is a broad and divergent literature, but a common thread is to understand how the environment or (non-human) nature is implicated in economic downturns – or crises – and subsequent efforts to revive capital accumulation.

I aim to contribute to this literature by proposing and using a relational analysis of politico-economic and socio-environmental impacts triggered by crises. This type of analysis stems from the notion of variegated capitalism (VC) as proposed by Peck and Theodore (2007; see also Sum and Jessop 2013, ch. 6). In doing so, I provide a middle way between global, all-encompassing theories of capitalist crisis and its ecological repercussions on the one hand (e.g. Foster 2018; Moore 2015), and more contextualised accounts of so-called socio-ecological fixes (Ekers and Prudham 2017; 2018) on the other. Deploying this type of analysis to my case, I argue that even though occurring in different spatio-temporal settings, the crises in Mozambique *and* the Netherlands have co-produced the conditions under which development in and of Mozambique’s waterscape takes place. I conclude that the crises and measures taken in response have left intact and accentuated already problematic politico-economic and hydro-social conditions in Mozambique.



The paper is structured as follows. The next section critically engages with theoretical debates and arguments on the political ecology of crisis and austerity. It also introduces the premises underpinning the VC thesis into these debates. The third section outlines the research approach and methodology. Mozambique's waterscape – the principal 'research object' in this paper – is described in the fourth section, as well as what is problematic about its (historical) development. Against this general background, the fifth and sixth sections assess the crises (responses) in Mozambique and the Netherlands respectively, and how these have reproduced and transformed political economic and hydro-social conditions in Mozambique. The last section concludes.

## 2 Political ecology of crisis and austerity in variegated capitalism

Crises are highly complex and multidimensional phenomena. They may be said to 'occur when a set of social relations (including their connections to the natural world<sup>1</sup>) cannot be reproduced in the old way' (Sum and Jessop 2013: 396). Their causes may range from incidental and local to structural and systemic. Crises triggered by the latter may quickly expand due to 'snowball' effects. The degree to which a crisis narrative matches material circumstances – the 'objectivity' of crisis – varies. In cases where this match is weak, we may speak of a manufactured crisis. Such a crisis is to a large extent created, with causes or effects exaggerated. Whether more or less manufactured, crises constitute critical moments for challenging established theories and wisdoms, and for (re)considering or pursuing alternative ones. They also constitute potential moments for intervention and transformation in and by the state, society and indeed, non-human nature (*ibid.*, ch. 11). Because crises are so varied and complex, they can be and are studied and interpreted from a wide variety of perspectives. This paper takes a critical politico-economic and politico-ecological perspective to understanding crisis, the responses they trigger and associated environmental effects. This means it is centrally concerned with the environmental dimensions of capitalist crises.

### 2.1 Capitalist crisis and neoliberal austerity

Both mainstream and critical scholars of political economy agree that crisis tendencies and actual crises are inherent to capitalism. Critics argue this is due to capitalism's fundamental contradictions, notably those between the forces and relations of production, resulting in a crisis of overproduction, and a 'second' contradiction between the relations and conditions of production, resulting in the underproduction of capital (O'Connor 1988: 15). Depending on how such contradictions evolve as a result of class struggle, state regulation and the like, capitalist crises may be more or less frequent, and more or less severe. The decades of 'embedded liberalism' following the Second World War are considered by some as an era in which these contradictions were (temporarily) checked or overcome, leading to fewer and less severe crises (Ruggie 1982; Harvey 2005). The succeeding era of neoliberalism is characterised by attempts to remove alleged barriers to capital such as (extensive) regulation, and to pursue once more the utopia of a self-regulating market (Polanyi 1944 [2001]), notably in the financial sector. This has significantly increased global economic and financial volatility (Harvey 2005). As a consequence, since the rise of neoliberalism in the 1980s crises have become much more common (Marois 2016; Hudson 2015: 112).

Such crises have far-reaching impacts on societies and generally trigger various socio-economic measures and spatio-temporal reorganisations, or what Harvey calls 'fixes' (Harvey 1982 [2006], 2003). These are meant to trigger investments, trade, consumption etc. in order to revive capital accumulation and economic growth in a particular space economy. A common response of states to crises in neoliberal capitalism has been austerity. Austerity is broadly understood as a set of policies of

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<sup>1</sup> What is known in political ecology as socio-natural relations.

cutting the state budget in order to generate growth (Blyth 2013). Austerity may involve state reforms, changes in state–society relations and other types of political economic restructuring, with the needs of capital often outweighing other considerations (Harvey 1982, 2005). Indeed, neoliberal austerity must be seen as a response in which the transformational moments of crises are used to expand rather than limit market imperatives. This is done, *inter alia*, through introducing or intensifying processes of privatisation, financialisation, state re-regulation and marketisation.

This is not to say that such growth-stimulating responses achieve intended outcomes, or even that they reach a stage of implementation. How responses unfold and what effects they set in motion depend on a power struggle between social forces. Austerity measures have been subject to fierce criticism, as they have tended to prolong and deepen, rather than overcome, recessions. They also tend to accentuate inequality and uneven development (Blyth 2013). The financial crisis of 2007–8 has proved as much; by bailing out banks their massive debts been transferred to the balance sheets of states. This socialised the debts while privatising and legitimising the enormous gains that finance capital had made prior to the crisis.

## 2.2 Political ecology perspectives on crisis and austerity

Crises not only come about through, or affect, human (i.e. social, economic, political) agents and structures; non-human nature equally plays a fundamental role. How crises relate to environmental crises, environmental change and environmental politics has more recently become a topic of serious investigation in the field of political ecology. Such analyses often depart from Marx's (1976 [1867]: 283–4) famous elaborations on the metabolism between human labour and nature. Many also use Smith's (1984 [2010]) associated ideas on the production of nature. But approaches differ.

There are critical scholars who conceptualise the links between crisis and (non-human) nature at a highly abstract and holistic level. For instance, Foster (2013) argues that the 'unlimited expansion of a capitalist system geared to a process of abstract wealth creation' has led to nothing less than an 'Epochal Crisis'. According to him, economic and ecological contradictions, and associated crises related to finance or food among others, converge into a crisis 'in which the material conditions of society as a whole are undermined' (*ibid.*). Moore (2015: 299) suggests that 'in place of the converging crises model, we may instead view our era's turbulence as a singular crisis – of capitalism as a way of organizing nature – with manifold expressions'. The chief source of this crisis, he argues, is 'the law of value as a law of Cheap Nature' (*ibid.*). Moore's conceptualisation of a singular crisis is in turn fiercely criticised by Foster and other eco-socialists for being based on 'conflated Latourian conceptions of "bundles of human and extra-human natures" without clear demarcations' and for watering down the Marxian concept of value (Foster and Burkett 2018).

In discussing 'capital's relation to nature', Harvey (2015: 246–63) warns against too apocalyptic views of environmental crisis. Although such crises are plausible and indeed occurring as a result of endless, progressive accumulation, Harvey points at the strength of capital in resolving its ecological difficulties. Friend and foe alike have been amazed by capital's ability to reinvent and renew itself, i.e. to (temporarily) resolve its contradictions, and crisis in capitalism can be seen as moments triggering such renewal par excellence. One might say that capitalism needs crises in order to survive.

This is the (conservative) departure point of Ekers and Prudham (2015), who argue that socio-natures tend to be pulled deeper into the logic and system of capital in its attempts to survive. In other words, responses to crises in neoliberal capitalism – or what they call 'socio-ecological fixes' – have generally involved 'the intensified marketization, commodification, and financialization of "nature", along with attendant forms of rescaling environmental governance in ways that facilitate expansion in the scale and scope of capital accumulation' (*ibid.*: 2441). While acknowledging this, Castree and Christophers (2015) speculate that such fixes need not necessarily take this form. They instead explore the

possibility of finance capital switching into the built environment – infrastructures – ‘along more ecofriendly lines’ (*ibid*: 381).

More than the previously mentioned scholars, Ekers and Prudham (2017, 2018) pay attention to how extra-economic dimensions of crises (responses) relate to socio-ecological transformations. First, there is a cultural aspect to responses in the sense that these intervene in the ‘domain of meaning’ (Ekers and Prudham 2018: 12). Crisis responses are not neutral but ideologically laden, with associated imaginaries shaping socio-ecological views and relationships. Second, crises are inherently political in that they involve conflict and struggle between social forces. So, while the environment tends to get politically and culturally mobilised in the service of the hegemonic power after a crisis, this is deeply contested and actively resisted. Even more so, Calvário *et al.* (2017) show how neoliberal austerity in Greece in the aftermath of the financial crisis has given rise to counter-hegemonic and alternative ways to ‘understanding and using nature’. They illustrate how crisis and austerity were used as an impetus for progressive socio-environmental change, and offer as an example of this solidarity food distribution networks triggered by austerity. Capital-friendly crisis responses may also jeopardise the political legitimacy of the state. In order to retain political legitimacy, the state must to some extent defend/secure/protect the conditions for social reproduction, which are typically environmental conditions of some sort.

Similar to Ekers and Prudham’s approach, this paper explores state responses to capitalist crises, and their socio-environmental implications, but without losing sight of the global capitalist political economy that feature centrally, but differently, in the work of Moore and Foster. It does so based on the premises underpinning variegated capitalism.

### 2.3 Crisis and socio-ecological change in variegated capitalism

Peck and Theodore (2007) coined the notion of variegated capitalism (VC) in response to the varieties of capitalism (VoC) thesis. VoC distinguishes between, and characterises, ‘multiple capitalisms’, notably a prototypical (neo)liberal type of capitalism as allegedly found in the United States, and a German-style ‘coordinated’ version in countries such as Germany, the Netherlands and Japan. While acknowledging the strength of VoC in analysing how capitalism differs between nations, Peck and Theodore (2007) reject the assumption of multiple capitalisms that seem to underpin the VoC thesis. VC instead approaches capitalism as a historically specific system, which must be conceptualised ‘in the singular, but more importantly as a dynamic polymorphic process whose development is uneven and “variegated”’ (Dixon 2010: 197). Indeed, VC presents a more nuanced analysis on the temporality and spatiality of capitalist development, probing spatio-temporal variegation *in* capitalism rather than ideal-type varieties of capitalism (Peck and Theodore 2007).

Whereas VoC incorporates comparative analyses between different ‘national’ capitalisms, VC advances conjunctural and relational modes of explanation of development in a global but multi-scalar capitalism. Key to this relational perspective is recognition of ‘systemic interdependence’ between different political economies and their various agents and institutions. In other words, political economies co-evolve and co-constitute each other. They do so under the influence of conditions specific to contemporary capitalism. These notably include accumulation dynamics in the world market, e.g. form, pace and targets of accumulation, which in the past decades have been decisively shaped by neoliberalisation and financialisation (Peck and Theodore 2007).

Co-constitutive development must not be confused with the idea of convergence, i.e. that space economies develop towards some common end-point such as an advanced capitalist country. Rather, VC takes seriously the notion of combined and uneven development. Thus, instead of assuming that hitherto ‘underdeveloped’ spaces/regions/places have yet to become (more fully) inserted into modern development trajectories, it posits that capitalist development *produces* unevenness. And it does so in relational ways (Deckard *et al.* 2015: 12–13). In other words, more and less developed

regions are both *already* implicated in capitalist development, and their development trajectories are connected, in complex ways. Development of the one political economic space cannot therefore be understood only by accounting for agents, processes and dynamics within that same space. As Peck and Theodore argue, one needs to ask the question ‘to what extent [a space economy] is “externally” reliant on cheap imports, foreign debt, military dominance, and so forth, to what extent is the model itself relationally dependent on the existence of external “others?”’ (Peck and Theodore 2007: 765).

In the relational approach that VC is, it is important to pay attention not only to material relations that are observable (to various degrees), but also to social relations that are ‘immaterial, but objective’ as Marx said. Social relations, argues Harvey (2006: 142) ‘can only ever be measured by their effects’. This is fundamentally different from mainstream neoclassical interpretations of basic economic and other concepts, such as value, debt and finance. As social relations, value, debt and finance are processes that are in motion, having objective power. They are not a price, a round figure or a resource (only).

The added value of VC to debates on crisis and socio-ecological change is that it promotes a middle way between the all-encompassing crisis theses of Foster and Moore and the more contextualised accounts of socio-ecological fixes of Ekers and Prudham. It allows seeing differentiated crises in relational perspective, and directs attention to the conjunctural or co-constitutive political economic and socio-ecological effects of crises responses such as austerity. It is precisely this, of course, that the paper is after: to explore the causal powers and interdependencies between the crises and the responses these have triggered in two political economic spaces called the Netherlands and Mozambique. In so doing, it is essential to include the role of relative power, i.e. the relative weights of political economies in variegated capitalism. This, Sum and Jessop (2013) argue, directs attention to the possibility of how one political economic order may be a problem maker rather than a problem taker. We will come back to this later. Next, the methodology will briefly be outlined, after which the problematic in each country will be assessed.

### 3 Research approach

This working paper stems from a critical reflection on the context in and the conditions under which I carried out my PhD fieldwork on Dutch aid in the Mozambican waterscape.

My fieldwork, as mentioned, brought me from one crisis-ridden context, the Netherlands, to another, Mozambique. Fieldwork started in earnest in mid-April 2016, when I arrived in Mozambique for a yearlong fieldwork. Prior to this, I made preparations in the Netherlands and Mozambique. This preparatory phase lasted from late 2015 to mid-April 2016, during which I read about and spoke to various agents involved in the processes I was about to investigate. It was during this phase that I first found myself connecting – in a dialectical rather than causal way – discursive and material changes in Dutch (water) aid to the 2007 global financial crisis and the manifestation of the crisis in the Netherlands. The aid agenda and processes I read and heard about repeatedly referred to domestic and global crisis conditions and the apparent need for aid (agents and processes) to deliver a contribution to economic recovery and growth.

In January 2016, I went to Mozambique for two weeks of fieldwork preparations. Unlike the Netherlands, Mozambique was by that time hardly affected by post-2007 global recession. Everything seemed ‘normal’, i.e. the country still witnessed high growth rates, with the majority of Mozambicans hardly benefiting or even getting poorer (Cunguara and Hanlon 2012). After my preparations I returned to Europe to finish and defend my PhD proposal. When I returned to Mozambique only three months later for ‘real’ fieldwork, the situation would radically change. It was then that hidden debts

worth more than \$1.4bn were disclosed, almost instantly plunging its economy into a deep recession. This crisis, and the measures taken in response, had immediate effects for my fieldwork both substantially and methodologically. My informants and interviewees pointed at quickly deteriorating politico-economic and hydro-social conditions under which they had to work (see more on this in the next sections). In the methodological sense, it impacted on my positionality. Even though I was not part of the donor community that clashed with the Mozambican government and state (water) entities during the crisis, as a Dutch citizen I had to repeatedly explain this in order to gain access to agents, processes and sites.

After finishing fieldwork, I further contemplated the crises in both countries and their implications for my case. I progressively realised, through a process of going back and forth between fieldwork experiences, data and theory (i.e. retroduction), how significantly both crises and measures taken in response had shaped hydro-social imaginaries and politico-economic and material conditions under which (Mozambican–Dutch) water development plays out in Mozambique. This working paper is an attempt to elaborate on these thoughts. The previous section helps in making this contemplation theoretically inspired. In particular, it helps thinking about connections between two very different political economies and crises – as said earlier, not in a comparative but a relational sense. While this paper thus seeks to critically engage with the debates in political ecology briefly tackled in the previous section, it is also meant as groundwork for future PhD work. That is, the emphasis in this paper on relative and relational spatio-temporal processes, and the shaping of socio-environmental conditions on a macro scale, will in further work be enriched by and linked to empirical analyses that focus more on processes and agents in ‘absolute’ spaces.<sup>2</sup>

The way I approached and carried out fieldwork/research in part draws on Burawoy’s (2009) ‘reflexive science’. Among other things, reflexive science ‘takes context and situation as its point of departure’ rather than ‘controlling’ for it in positive science (Burawoy 2009: 38). But since context evokes passiveness, Burawoy prefers to speak of ‘external forces’ or ‘powers emanating from beyond the field site, shaping the site yet existing largely outside the control of the site’ (*ibid.*: 90). Identifying such powers, he continues, cannot be done just by deploying methods such as participant observation and by going into the field without theoretical preconceptions (if the latter is possible at all; Burawoy’s answer is negative, and I agree). It requires a ‘theoretical framework for their delimitation and conceptualization’ (*ibid.*). This is precisely how I came to take the crisis contexts in which I carried out fieldwork seriously – more seriously than I had anticipated.

Burawoy’s reflexive science fits the multi-sited ethnographic type of fieldwork that I carried out. The essence of multi-sited ethnography is to ‘follow people, connections, associations and relationships across space (because they are substantially continuous but spatially non-contiguous)’ (Falzon 2009: 1–2). ‘In terms of method’, Falzon (2009) continues, ‘multi-sited ethnography involves a spatially dispersed field through which the ethnographer moves – actually, via sojourns in two or more places, or conceptually, by means of techniques of juxtaposition of data’. I did both; I ‘sojourned’ in the Mozambique and the Netherlands and traced the multiple and non-linear connections between objects/things, agents and processes pertaining to hydro-social development and water aid. And finally, this paper is one among others in which the juxtaposition of data from both parts of the world, and theoretical and methodological techniques that enable this, has been realised.

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<sup>2</sup> On distinguishing absolute time space from relative and relational time space, and its ontological and epistemological consequences, see Harvey (2006, ch. 4).

## 4 Historical background: Mozambique's problematic waterscape

Before turning to the discussion on crises in Mozambique and the Netherlands, this section provides a general and brief historical introduction to the Mozambican waterscape, with an emphasis on water supply. The role of the Dutch state as donor is given special attention.

I follow Loftus (2007: 49) in his definition of the waterscape as a 'produced hydro-social entity' rather than a fixed entity containing water (see also Budds and Hinojosa 2012). As this section's title indicates, I will explore what is problematic about the historical production of Mozambique's waterscape. I do this with Swyngedouw's (2015: 34) problem statement in mind, i.e. 'how do we – humans and nonhumans – organize the metabolic process of assembling physical and social processes such that an egalitarian, democratic, and just hydroscape becomes produced?' In particular relating to water supply arrangements, Loftus (2009: 954) talks about the 'injustice of water poverty':

Rather than taking it as a given that some will have access to water and others will not, or rather than finding solace in technical solutions or high-profile pledges, political ecology seeks to politicize understandings of the distribution of water as a first step in an emancipatory project to ensure that all are able to live in environments free from daily injustices of stagnant, polluted water sources.

It is in light of these normative statements that this and the other sections to come are written.

### 4.1 *The Mozambican waterscape in historical perspective*

The Mozambican waterscape is far from being 'egalitarian, democratic and just'. This has its roots in history, and has all to do with the way the Mozambican political economy has become organised. The waterscape that Mozambique inherited upon independence in 1975 was deeply anti-egalitarian, undemocratic and unjust, owing to racist hydro-social relations under Portuguese colonial rule. Under colonialism, more advanced interventions in the Mozambican waterscape, such as the building of dams, development of irrigation networks or piped water supply systems, were done to the prime benefit of the Portuguese and their strategic domestic and foreign allies. Not surprisingly, such interventions were also planned and designed by the Portuguese, since very few Mozambicans had a chance to educate themselves beyond primary levels. Mozambicans took up most of the hard labour going into the construction of water infrastructure.

Such interventions often had detrimental and long-lasting socio-ecological effects. Few interventions illustrate this better than the Cahora Bassa Dam. Built between 1969 and 1974 in the Zambezi river valley in west Mozambique, it involved forced labour on the roads to the construction site, harsh working conditions and violence in the dam construction itself, the displacement of more than 30,000 peasants, and many others impacted by the altered flows of the Zambezi. Moreover, the dam's majority ownership and management were in the hands of a Portuguese parastatal, which thus effectively controlled decision making over processes such as water outflows and energy sales. Nearly all energy generated by the dam was sold to South Africa instead of being used for domestic ends. Ownership and management would only be granted to the post-colonial Mozambican government after repaying the US\$ 550million debt that went into constructing the dam. Only in 2007 did the Mozambican government gain majority ownership over the dam, for US\$ 700million (Isaacman and Isaacman 2013). The dam illustrates very well the variety and scope of challenges involved in redressing and developing the Mozambican waterscape after independence.

A progressive hydro-social imaginary and associated efforts to build up a more just waterscape directly after independence were soon hampered, and later practically made impossible, by the bloody civil war (late 1970s–1992) between Frelimo and Renamo. Renamo's strategy to destabilize society by imposing terror and destroying the country's socio-ecological infrastructures limited development of

Mozambique's waterscape to areas under the control of Frelimo. These were mostly urban(ised) areas. Due to a lack of practically everything – money, materials and equipment, know-how, etc. – this development remained limited. Only when the war ended in 1992 could (intentional) development of the post-colonial Mozambican waterscape start in earnest.

By then, Dutch state and non-state entities had already become significant aid partners, especially in the water sector of Mozambique. The bilateral Mozambican–Dutch aid relationship has its roots in the independence war where the Dutch Eduardo Mondlane Association stood in support of Frelimo's fight against the Portuguese colonial power and for a progressive independent Mozambican society. After independence in 1975, Dutch individuals started working in Mozambique as *cooperantes* (literally 'co-operators'). Water was among the first sectors to which they provided aid. The Dutch state grew into an important bilateral donor in Mozambique, and the main bilateral *water* donor, with Dutch water aid continuing during the abovementioned civil war. This continued support prior to and since independence – even in the most troubling of situations – is important, as it provides the bilateral relationship with a firm historical basis and a collective imaginary that is still often mobilised for diplomatic ends today.<sup>3</sup>

The decades after the civil war have seen important path-dependent and path-shaping events in Mozambique's waterscape. A notable and promising break with the past is the number of Mozambicans working as professionals in the water sector. At independence, there were only a small number of educated Mozambicans who could take (and actually took) over the management of various water-related activities from their Portuguese predecessors. Over the course of decades, many more have been trained as water professionals at middle and higher levels. This has been a process in which many Dutch water professionals and experts have been closely involved. An unfortunate trend is that public water entities do not profit from this particular progress as much as the private sector does. Most of the better educated workforce in the water sector today tend to choose to work for private companies, or alternatively for non-profit entities, where they get much better paid than in public entities, which are generally underfinanced and weak. Yet it is public entities that desperately need the knowledge and skills built up in the country to raise the bar of its strategic and operational activities.

The post civil war era has also seen an inflow of major financial investments into the water sector. A large part of these were spent on infrastructure, notably those pertaining to urban water supply. This has extended urban water supply services and has led to many more people being served by piped water than was previously the case. Such gains notwithstanding, water supply coverage in Mozambique is still among the lowest in Africa and the world at large. Moreover, and this is especially troubling about the post-colonial Mozambican waterscape, hydro-social development in Mozambique is highly uneven.

#### *4.2 Uneven hydro-social development in Mozambique*

Patterns of uneven development characteristic of the colonial waterscape are also prevalent after independence, although they have taken other shapes. It means that some domains of water management (e.g. water supply) have attracted much more attention (politically, financially) than others (e.g. water resources management). Also, some regions and classes have benefited much more than others. For instance, in the area of water resources management, a new institutional structure

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<sup>3</sup> Such historical elements of the bilateral relationship were referred to in many of the interviews I had with Mozambican and Dutch actors, notwithstanding the fact that contemporary visions and ideas about societal change by Dutch and Mozambican state and non-state actors differ from those in the days prior to and after independence. See also references to this history in the Multi-Annual Plan of the Dutch embassy in Mozambique (GON 2013a: 16)

has been set up after the civil war with regional water administrations (Administrações Regionais de Águas – ARAs) made responsible for water resources management operations in different river basin areas. Yet, there are great disparities between these entities, with some ARAs much better equipped in terms of finance, personnel and materials than others (Iguane *et al.* 2014).

Recent studies by the World Bank (2018) and UNICEF (2016, 2017) illustrate such patterns for water supply and sanitation. These studies conclude that high inequality in access to these services exists in Mozambique. This manifests itself spatially, between regions and between urban and rural areas, as well as socially, between different income groups. This in turn follows broader (under)development patterns; the poor have had growing difficulties in accessing improved water sources, while the wealthiest income groups have benefited most from improvements and investments in the water sector (World Bank 2018: 1; UNICEF 2017: 19). Consequently, the gap in the ability to access improved water sources between poorer and richer groups has only widened in the past years (World Bank 2018).

Although a complex and multidimensional problem, some recent historical processes shed light on how patterns of uneven hydro-social development have persisted and on how new such patterns have come about. One is the particular development of the ruling party Frelimo and its associated elite and their use of state power during and after the transition from socialism to neoliberal capitalism from the late 1980s onwards. By the time the civil war ended in 1992, Mozambique had abandoned its socialist cause and had ‘opened up to the West’ (Hanlon 1996). This meant, among other things, the adoption of structural adjustment programmes (SAPs), i.e. development pathways and associated policy and regulatory reforms that were firmly rooted in the dominant neoliberal doctrine of that time. According to Cramer (2001), SAPs in Mozambique were among the largest and most ambitious in Africa.

SAPs decisively shaped the integration of Mozambique in global capitalism, as well as the formation of national capitalist classes (Castel-Branco 2014; Hanlon 2017). Many of the political leaders of the country who once fought against their colonial oppressor in the name of socialism soon became the country’s richest businesspeople. They accumulated private wealth and social power owing to their close involvement in the privatisation of numerous state enterprises and in the large-scale exploitation of Mozambique’s natural resources such as coal and gas. This economic elite has dominated politics in the country ever since, notably through membership of Frelimo’s Central Committee. They have also successfully mobilised the state in rent-seeking and private accumulation processes to the detriment of public finances and services, and the public ethos more generally (Castel-Branco 2014).

One result is that expenditures in public domains such as water are still highly aid-dependent and (ultimately) conditional on the agendas of development actors. Also, (most) public water entities have remained fragile and weak. Centralised control over these fragile water entities means that budgets and operational activities tend to be unevenly distributed and concentrated in areas that are loyal to Frelimo (Weimer and Carrilho 2017). Moreover, dependency on IFIs and aid agents from the 1980s onwards translated in a fragmented field of water aid<sup>4</sup> and the adoption of hegemonic policy and institutional principles such as those associated with SAPs.

In the water domain, structural adjustment involved institutional restructuring, policy reformulation and the introduction of market-based mechanisms such as competitive tendering and outsourcing of urban water supply services to the private sector. As in so many countries where such outsourcing

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<sup>4</sup> Which is not to say that there has been no (structural) consultation among, or mutual alignment between, development and state actors on water aid in Mozambique. There has long been a water donor group that frequently comes together to discuss water aid. Yet this has done little to prevent the fragmentation of water aid in Mozambique, which is caused in part by the oft-shifting agendas and priorities of donors (interview with a civil servant at the Mozambican National Directorate of Water, 16 November 2016).



occurred under SAPs, its introduction and implementation in five cities in Mozambique was contested and troublesome, with the state eventually buying back the majority of shares of a private consortium in charge of water supply management and service delivery (Club of Mozambique 2011, 2012; Lobina *et al.* 2014). Problems included a poor relationship between consortium parties and the Mozambican asset holder FIPAG, a slow increase and later stagnation of coverage, disappointing tendering practices for and many delays of construction work, a top management that long involved only expatriates, no Mozambicans and cherry-picking behaviour, privileging cities or neighbourhoods with greater willingness and ability to pay over those with less (Triche 2009; Bhatt 2014). It is processes and principles such as these that have (re)produced rather than halted or reversed patterns of uneven hydro-social development.

The Dutch state has been implicated in all the processes described above, albeit in various ways and to various degrees. In the Mozambican water sector, Dutch state and non-state water agents have been granted significant power and influence. This position of (relative) power was thanks to the enduring commitment of the Dutch state in aiding water affairs, the numerous Dutch individuals who worked in or for key water entities, their accumulated, contextual water expertise and the relationships they built up with Mozambican counterparts. This position allowed Dutch agents to be very closely involved in decision making related to water affairs in the country. That said, the most important decisions were and are not made in water institutions in Mozambique, and development schemes with major and long-lasting impact such as SAPs were beyond the direct influence of the Dutch. Indeed, the Dutch state sometimes co-financed World Bank related projects and generally backed up associated (neoliberal) policy shifts. It thus broadly worked within the confines set by the World Bank (as did the broader donor community of which it is part) and within limits set by the Mozambican state.

Save for an occasional critical report or remark (e.g. GON 2015), it is common for the Dutch state, the World Bank and other IFIs and donors not to (publically) relate the specific politics and power relations outlined above to water affairs in Mozambique. This tendency to depoliticise water is another problematic aspect of the Mozambican waterscape.

#### 4.3 Water depoliticisation

Disconnecting water issues from questions of political economy is not something unique to the donor community in Mozambique, but common practice in global water networks (Swyngedouw 2013) and in development more generally (Ferguson 1994; Li 2007). What may be more specific to Mozambique's post civil war era has been a tendency of donors and IFIs to portray Mozambique as a successful aid-driven country, as attested by sustained high economic growth. This 'success myth', as Hanlon (2004) put it, has been kept up by donors despite obvious failings, such as growth going hand in hand with worsening rural poverty (Cunguara and Hanlon 2012) and rent-seeking on a massive scale (Perez-Nino and Le Billon 2014). As outlined above, this has also deeply impacted (prospects for) water development. The problem with water depoliticization, however, is that these bigger politico-economic questions are put aside, that water issues are largely 'problematized' in a technical, institutional and financial manner and that such issues can allegedly be solved through apolitical interventions (Li 2007).

The aforementioned report of the World Bank (2018) is telling in this regard. By way of concluding this section, I will use it to specify what is problematic about water depoliticisation in Mozambique. After observing engrained patterns of inequality in water and sanitation services, the report lists several lessons and recommendations. The first recommendation is about making progress in water decentralisation. Decision-making power over investment priorities and financial resources has historically been centralised in Mozambique, and this is also true for water (Weimer and Carrilho 2017: 152). However, as Weimer and Carrilho (2017: 8–9) argue, the 'devolution and sharing of power

and resources' to sub-national levels hinges on the extent to which this is compatible with the interests of the political and economic elites. In other words, decentralisation is a quintessential politico-economic issue, but the World Bank's report remains silent about this. No wonder the theme has been on the agenda for decades (see e.g. Parker and Borba 1995: 10) but to little avail.

Second, the report recommends addressing the water sector's 'high dependency on donor financing' and tackling 'pressing financing gaps'. This is to be done by, *inter alia*, 'pursuing independent budget classifications for the sector and separating its financial allocations and budget cycles from other sectors' (World Bank 2018: 7). Again, the likeliness of this occurring is small, if politics and power relations do not change in radical ways. Moreover, the orthodox view of finance as 'resources-to-fill-a-gap' neglects seeing finance as a global power system and process with perverse tendencies and local effects (Hudson 2015: 12). This blind spot has major implications; it makes agents fail to see or document the major effects that financialisation has had on the Mozambican political economy. It also hampers making crucial linkages between the enormous amounts of money already coming into the country via foreign direct investments, or wealth created through mineral extractions, and how little of these flows find their way to crucial public investments such as water (Castel-Branco 2014). The problem of finance is thus a problem of tax and wealth distribution, among others. In other words: political terrains.

The third and last lesson addressed here concerns an alleged 'vital change' in urban water supply policy through the so-called delegated management framework (DMF), and the need to have this DMF better and more widely implemented. The DMF related to the above-mentioned programme of outsourcing urban water supply services, initiated during structural adjustment in the 1990s. The DMF separated state ownership of urban water supply systems from operations of these systems by independent, preferably private, companies. It sought to outsource and marketize urban water supply, while diminishing the state's grip on these processes. Neither goal has been achieved. The state's grip on urban water supply is as firm as ever, and the outsourcing programme with a private consortium ended prematurely and in disarray, as already explained.

Nonetheless, the DMF was framed as a successful innovation, on the grounds that, *inter alia*, it attracted large amounts of investment and increased coverage (see e.g. World Bank 2009: 14–15). Yet the causal link between these gains and the DMF is highly dubious. The largest investment came from the World Bank itself, on whose instigation the DMF was put in place. Given the poor state of affairs after the civil war, the huge amounts invested in the programme and infrastructure by the World Bank and donors such as the Dutch state was bound to increase coverage rates, irrespective of the DMF, whose implementation was troublesome (see above). It appears as if a mini 'success myth' has been created around the DMF; with so much money put into it, all effort is geared towards making the DMF (appear to) work instead of asking whether it actually works. Moreover, the market-based approach underpinning the DMF is still considered superior and cannot be (fundamentally) questioned in the World Bank system, or in that of most aid partners in Mozambique. That the DMF was extended to include water supply in Mozambique's secondary cities, based on the alleged success of the DMF in its primary cities, only substantiates this point.

It is against this background – the reproduction and transformation of this problematic waterscape – that the crises in Mozambique and the Netherlands will be assessed in the next two sections. The paper's starting point is that more radical changes, including alternatives to neoliberal development pathways, have to be envisaged, proposed and pursued in order to break with patterns of uneven politico-economic and hydro-social development in Mozambique. This starts with addressing the politics and power relations driving such patterns, rather than ignoring these in favour of technical and institutional problem framings and solution pathways.

## 5 A crisis-ridden Mozambican waterscape

This section and the next explore the hydro-social ramifications of politico-economic crises that I experienced during my fieldwork in the two countries of concern to my research: Mozambique and the Netherlands. This section deals with the crisis in Mozambique. It first provides a brief political economy of the crisis context and lists some of the main measures taken in response. There then follows a political ecology reading of this crisis and, in particular, the associated hydro-social impacts.

### 5.1 *The crisis context in political economy terms*

The crisis in Mozambique broke out in April 2016, around the same time that I arrived in the country for yearlong fieldwork. It was triggered not so much by the then receding global financial crisis as by the disclosure of hidden debts. The latter related to three loans, arranged and backed by former president Guebuza (2010–14) and allies who made up the political and economic elite of the country at that time. One loan worth \$622million was borrowed from Credit Suisse and VTB Bank in January 2013 for a state company called Proindicus. Second, an amount of \$850million was raised by the sale of Eurobonds for another state company, Empresa Mocambicana de Atum (EMATUM), set up in August 2013. A third loan of \$535million was provided by VTB Bank to Mozambique Asset Management, set up in May 2014. All three loans were secretly negotiated and illegal, in the sense that neither the Mozambican parliament nor IFIs and donors were informed or asked for consent. The EMATUM loan was already disclosed in 2013, and met with mild criticism by some donors and the International Monetary Fund (IMF). The two others, worth \$1.2bn, were kept secret until April 2016, when the *Wall Street Journal* (WSJ 2016) was the first to disclose their existence.

From then on, events rapidly succeeded each other. After the disclosure, the IMF, the World Bank and the major bilateral donors all suspended financial aid to the Mozambican government. What followed was a rapid devaluation of the country's currency, downgrading of its credit rating to junk level and significant inflation. The government's debt-to-GDP ratio increased from 88 per cent to 112 per cent between 2015 and 2017, while interest on debts and future loans rose sharply. Economic growth fell to an average of 3.8 per cent annually. Next to reduced tax incomes, the government also missed some \$400million of donor aid, impacting on the state budget and state expenditures. Despite this, the state budget has been expansionary since the crisis, ironically with the deficit between incomes and expenditures financed by more debts (Francisco and Semedo 2017). A growing part of the budget has been used to service debt, while other government investment expenditures fell from 870bn meticaïs to some 55bn meticaïs<sup>5</sup> between 2014 and 2017 (CIP 2018). Meanwhile, the state resorted to austerity measures. Among these were the lowering of budgets for social expenditures and a moratorium on hiring new state personnel. It also reduced or eliminated subsidies, including on the most basic goods such as wheat flour.

A critical discussion followed within and outside Mozambique on how to 'read' the debt scandal and the resultant economic crisis. In particular, the question of who was and must be held responsible for the debt scandal was widely discussed. The previous Guebuza-led government is generally held primarily responsible. It is widely shared that the illegal contracting of such huge loans would not have been possible without the centralised and exclusive political structure created and maintained by Guebuza and his allies. While acknowledging this, Castel-Branco and Massarongo (2016a, 2016b) stress that this scandal and crisis must not be considered an incident. Rather, these stem from the way in which the Mozambican political economy has developed *vis-à-vis* global capitalism, i.e. how domestic and international elites have come to organise, and reap the benefits of, an economy one-

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<sup>5</sup> The currency of Mozambique fluctuated post-crisis, but in late 2016 one US dollar equalled approx. 72 meticaïs.

sidedly focused on mineral extraction and associated financial speculation. Debt accumulation has been part and parcel of this system, and the latest debts are in no way isolated incidents (*ibid.*).

But indeed, there are always at least two parties involved in debts, i.e. creditors as well as debtors. The banks that made possible and supplied the debts, Credit Suisse and VTB Bank, have also been subject to fierce criticism and sued for alleged loan pushing and odious debts. There have also been various intermediary agents servicing the debts.

Of particular relevance for this paper is the role that a so-called Dutch *brievenbusfirma*, or letterbox company, played in enabling the EMATUM deal. Letterbox companies are used by companies and investors as a special purpose vehicle for channelling investments to evade paying taxes. EMATUM BV, established and managed by trust office TMF in Amsterdam, issued bonds worth \$850million, which Credit Suisse and VTB Bank sold to investors worldwide. The money raised was subsequently lent to EMATUM SA in Mozambique. Later, these were turned into government bonds, thereby socialising these debts. Mozambican newspapers rarely dedicate space to events happening in the Netherlands, and neither do Dutch newspapers on Mozambique, but this event was widely covered in Mozambican and Dutch news channels (e.g. Canal de Moçambique 2016; NRC 2016). Questions were asked in the Dutch Parliament about this case, as trust office TMF was accused of not having carried out due diligence in the EMATUM deal (GON 2016a). The Dutch central bank promised an investigation into this deal, but so far it has not reported on progress or outcomes. This letterbox company may have been a minor player in the overall debt scandal, but it illustrates the interconnectedness between Mozambique and the Netherlands, through financialised capitalism.

More generally, Hanlon (2017) lays part of the blame on the role of IFIs and donors in Mozambique's integration into global neoliberal capitalism. According to him, 'the US\$2.2 billion deal was the direct result of conditions carefully created by the same lenders and donors during four decades' (*ibid.*: 753). Most donors made their aid in the 1980s and 1990s conditional on acceptance of IMF and World Bank programmes, notably the aforementioned SAPs. As a group, he argues, they have had a major role in making Mozambique embrace a development trajectory rooted in neoliberal capitalism. The political and economic elite in Mozambique were incentivised to open up to foreign business and investments, which they did in often obscure ways. A culture of secrecy and corruption gradually developed, condoned by donors. It was this combination of massive foreign investments agreed between national and international elites that eventually gave rise to the latest debt scandal (Hanlon 2017).

Whoever is to blame, living and working conditions for many Mozambicans have further deteriorated under the crisis conditions. And as if this were not enough, the crisis came on top of a politico-military conflict between the ruling party Frelimo and its political rival of old, Renamo. This aggravated the uncertainties caused by the crisis (Francisco and Semedo 2016), as did another event: the El Niño effect. This effect caused very little rainfall in the south of the country and heavy rainfall in the north, leading to severe droughts and floods. All this led to great unrest in Mozambican society. In particular, domestic and foreign civil society organisations demanded that the burden of these debts should not be shoved onto the Mozambican people.<sup>6</sup> But this is precisely what happened, with the illegal debts made legal through inclusion in the state budget. This only fuelled unrest and criticism. Increased oppression and (threats of) violence were tactics used to prevent major protests.

This pressure from civil society, as well as IFIs, donors and many other agents, intensified friction among the ruling elite, but political power in Mozambique remained firmly with them (Macuane *et al.* 2017). Frelimo goes a long way to settle internal frictions in order to remain in power and to protect established patterns of rent distribution. Thus, instead of critically investigating the scandal and perhaps holding some of its own group members responsible, the government attributed the crisis to

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<sup>6</sup> See e.g. FMO *et al.* (2016) or Jubilee Debt Campaign (2017)

adverse global economic conditions. Only under intense pressure of aid and civil society actors did it agree with an international audit into the illegal debts. However, it frustrated the work of the auditor. And when it had the chance to challenge VTB Bank and Credit Suisse in the courts of London for loan pushing, it did not, since it then had to disclose information on the deals that could jeopardise the ruling elite's unity (*ibid.*: 22). In sum, even though this crisis was the biggest since the civil war ended, it has not (yet) led to a radical break in power relations in Mozambique.

## 5.2 The hydro-social ramifications of the crisis

The crisis has added another metaphorical chapter to the historical development of Mozambique's waterscape, told in the previous section. And it is not encouraging.

To start with, austerity measures impacted heavily on state water budgets. This was in spite of the government's promise that investments in social sectors would not be affected post-crisis and despite water being a priority sector in the government's five-year Economic and Social Plan (CIP 2017). When it revised the budget in response to the crisis in 2016, the government significantly reduced its share of funding the water sector. It even reached 'an all-time low in the 2017 budget ... as a consequence of the 2016 economic crisis' (UNICEF 2017: 7). According to UNICEF, the government contributed 0.9bn meticaïs to the water sector in 2016, which represents 12 per cent of expenditures in the sector. While the state contribution to the water sector budget had always been low, 2014 and 2015 were different in that its contribution amounted to some 35 per cent of total expenditure (UNICEF 2016; 2017). In light of this, the decrease in 2016 and 2017 is substantial and has considerably affected public water activities. This is all the more painful if one considers that debt servicing has soared and has exceeded the state's expenditure on all social sectors combined (UNICEF 2017: 2; CIP 2018). On top of this, it remained to be seen whether, and when exactly, water state entities would receive the lowered budgets allocated to them. This uncertainty played its part in postponing, delaying or abandoning projects, and contributed to already low project execution rates in the water sector – the lowest of social sectors (CIP 2017: 8).

The debt scandal also led to an 'aid crisis' between the Mozambican government and its international partners (Orre and Rønning 2017). Given that these partners finance over 90 per cent of the water sector's expenditure (UNICEF 2017), such a breach of trust has had profound hydro-social impacts. Financially, donors suspended direct support to state water entities and common funds. This translated into water projects and programmes being put on hold, delayed or even called off. Projects between donors and non-state or 'independent' water organisations often continued to be financed, however, reducing some of the impact.

But the impact was not only financial. It deeply impacted the everyday management in state water entities, and it stifled any of their aspirations for a more autonomous, less donor-driven course. After donors suspended direct funding to the state after the debts were disclosed, senior civil servants responsible for water at once had another mission to fulfil: making sure donors were kept on board. Endless meetings and negotiations followed about how donor support could continue. This was a deeply frustrating and tiring process, according to one of them:

The pressure on us became too big and reached a point that somehow, you feel that you have lost the energy to fight any further. But as a team we tried to follow, to respond and to run, run, run – donors asked us to produce this or that, then we tried our best and managed to come to some sort of compromise.<sup>7</sup>

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<sup>7</sup> Interview, civil servant at the Mozambican National Directorate of Water, 21 February 2017.

Negotiations between civil servants and donors often led to novel aid modalities. Instead of direct money transfers, for instance, a third partner had to become involved. The latter, on behalf of donors, would receive and distribute aid money to (projects of) water state entities, and take care of project management and accountability issues. While on the one hand this ensured a continued flow of aid money into water activities, on the other it further complicated already complex water governance arrangements in Mozambique. More fundamentally, the crisis reconfirmed and deepened the uneven power relationship between water entities and their aid partners.

The macro-economic crisis conditions listed in the previous section impacted hydro-social development in many other ways. First, water agencies could no longer pay contractors and other creditors. Not only did this lead to putting construction activities and projects on hold, their debts also quickly accumulated. As these debts had to be covered by the following year's budget, activities in the new year were already compromised before they had started. Second, much needed employees could not be hired by public water entities because of the moratorium on new state personnel. Third, the government stopped providing guarantees, making it nearly impossible to contract loans or to attract investors for major water infrastructure. Fourth, the very low foreign currency reserves made it difficult, if not temporarily impossible, to import materials that were required for building, maintaining or repairing water infrastructure. High interest rates and a reluctance of banks to lend money to water operators furthermore hindered any investments in systems. A last impact noted on the ground was that, because of rapidly rising electricity bills due to the crisis, many water operators decided to reduce the hours of operation to save costs.

Development in and of Mozambique's waterscape was further compromised by the above-mentioned politico-military conflict and the El Niño effect. The conflict escalated into armed attacks and periodic fighting in Mozambique's central region in 2016, effectively isolating it from the rest of the country. This region being hit by this 'double whammy' was all the more worrying given that water development here was most urgently needed. The El Niño effect caused very little rainfall in the south of the country and above-average rainfall in the middle and north, leading to severe droughts and floods. Needless to say, these hydrological conditions and the economic crises conditions synthesised into very dire hydro-social conditions.

Again, these conditions manifested themselves unevenly over Mozambique's waterscape. This is very well illustrated by yet another crisis of which Mozambican newspapers and state agents spoke: a water supply crisis in the capital of Maputo. Due to a lack of rain, the Pequenos Libombos dam, which is the main source for water supply in Maputo, reached critical water levels in 2016. So much so, that the Maputo water supply company had to drastically reduce its supply. It implemented another supply schedule, with neighbourhoods officially receiving water on alternate days. In practice, water supply was much more random and unpredictable, with low-income households suffering most since they largely lacked equipment such as tanks to store water. But what is perhaps more striking, and a reminder of the uneven hydro-social development in Mozambique, is that this event was called and treated as a crisis. It was certainly quite an exceptional situation for those parts of Maputo that had piped water services. But the term crisis may be improper and the various emergency measures taken at odds in the context of the national waterscape, in which the majority of people have always lacked access to piped water services, or even to reliable water sources.

In all, the year I did fieldwork in Mozambique, 2016/17, was particularly challenging, with the country facing a triple crisis: an economic, environmental and politico-military one. These exacerbated already unfavourable hydro-social conditions in Mozambique. Although crisis can provide moments for contemplation and alternative views to treating nature (Calvário et al. 2017), our case showed little such signs. I will now turn to the other country of concern to my research, the Netherlands. That country faced its own crisis, and in more or less visible ways the measures taken in response have affected politico-economic and hydro-social conditions in Mozambique.

## 6 Dutch 'aid and trade' in Mozambique's political economy and waterscape

The previous sections mentioned the major role of lenders and donors in shaping Mozambique's political economy and waterscape. This section deals with one such donor, the Dutch state. Like other 'traditional donors',<sup>8</sup> the Dutch state has modified its aid- and foreign trade agendas in response to the global financial and Eurozone crises, among other events.<sup>9</sup> This section briefly recalls how this crisis manifested itself in the Netherlands, economically as well as politically. It then examines how crisis responses have altered visions and policies on aid and foreign trade. These changes, in turn, connect to the Mozambican political economy and waterscape in more and less overt ways, which are explored in the final sub-sections.

### 6.1 *The crisis context in political economy terms*

Much has been written from a variety of perspectives on the causes and consequences of the 2007 global financial crisis. These writings reflect the complexity and scope of this crisis. This sub-section does not pretend to map this complexity but will be limited to outlining some of the main features of the crisis in the Netherlands and key events that followed.

According to Christophers (2015: 206) the 2007 global financial crisis involved a number of politico-economic events across the regions and countries affected, including:

- inflation and bursting of property market bubbles;
- bank liquidity and solvency threats;
- state-financed recapitalisation of financial institutions;
- heightened levels of state indebtedness;
- fiscal austerity programmes;
- prolonged periods of recession and associated negative macro-economic trends.

These also broadly apply to, and characterise the manifestation of, the crisis in the Netherlands. Indeed, some banks were nationalised, e.g. Fortis and parts of ABN Amro, and others bailed out, notably ING. The export-oriented Dutch economy was severely impacted by the sharp decline in global trade and consumption; it experienced a long period of recession, save for some brief intervals of recovery. Unemployment rose sharply and the government's debt-to-GDP ratio rose from 43 per cent in 2007 to 68 per cent in 2014 (CPB 2011; CBS 2018). Property bubbles burst, house prices fell quickly, and many house owners found themselves 'underwater'. The Dutch Food Bank reported a rise of 30 per cent in one year (2013) in the number of people making use of its food aid (Voedselbank 2014).

The Dutch state had to intervene heavily in the national financial system after the crisis. This is because, relative to the size of the economy, the Netherlands has a very large and highly internationally oriented financial sector (Engelen *et al.* 2010). Dutch banks were, for instance, deeply implicated in securitisation, widely considered a major trigger of the crisis. The Netherlands has also been one of the world's premier destinations for shadow banking, encompassing financial traffic and processes by non- or poorly regulated entities (Engelen 2017). Moreover, Dutch households are among the most indebted worldwide, which has major implications in times of financial crisis. These

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<sup>8</sup> Here, 'traditional donors' means donors from the Development Assistance Committee of the Organisation for Economic Cooperation and Development.

<sup>9</sup> Such as shifting power relations in the world market (e.g. the rise of BRICS – Brazil, Russia, India, China and South Africa) and in global development (e.g. the rise of South–South development), see Mawdsley (2015, 2017).

and many other elements render the Dutch political economy and society particularly vulnerable for crises like these. The deeper roots and consequences of this crisis, and the role of the global and Dutch financial system and cultures, therefore, became subject to widespread discussion. Analyses by both mainstream economic agents (e.g. Van Ewijk and Teulings 2009; Teulings et al. 2011) and more critical voices (e.g. Jacobs 2014; Luyendijk 2017; Engelen 2014) were widely read and discussed.

Yet this interest in and deeper reflections on global and national finance did not translate into radical changes in the (power) structure of finance or in national politics. Post-crisis regulation of the financial sector was piecemeal rather than transformative. It was based on technocratic reasoning rather than on political arguments and was in favour of more rather than less integration of global finance (Christophers 2015). Politically, in the Netherlands as well as elsewhere, nationalist discourses gained momentum. Political parties that wanted to see the crisis end by what Martin (in Christophers 2015: 210) calls an ‘all-clear signal – growth resumes – and normalcy is restored’ also quickly rose to prominence. One such party, the (neo)liberal-conservative VVD, won all post-crisis elections. After the first post-crisis elections in 2010, the VVD entered into a minority coalition government with the Christian Democrats, formally supported by the nationalist and anti-Islamic party PVV. When this government fell prematurely, new elections in 2012 were again won by the VVD. The labour party, PvdA, came a close second, and the VVD and PvdA formed the next government, which fulfilled its full term from 2013 to 2017.

Both these governments resorted to austerity measures, totalling some €52bn (Engelen 2017: 66). Measures included significant tax increases and budget cuts, notably in domains such as social security, health care and, indeed, aid (Oxfam 2013). Such austerity measures, however, did not go unchallenged. The first post-crisis government fell prematurely, precisely because the PVV did not endorse yet another austerity package. Austerity constituted an important theme for the 2012 elections, with parties in favour and against. As the VVD also won these elections, austerity continued unabated, this time with the consent of the coalition partner PvdA, which tried to soften the hard edges of these political choices. Austerity was combined with other measures to increase the competitiveness of the Dutch economy. These included measures to make the Dutch political economy more business-friendly, an aspect that I will return to below. It also involved the setting up of a so-called top sector innovation and export promoting programme by the Dutch state. And in more general terms, the crisis provided momentum to introduce reforms in state departments and policy domains. One such department and domain was Dutch aid. The next sub-section will examine how Dutch aid was subject to reform, which in turn affected bilateral Dutch–Mozambican (water) aid relations.

## *6.2 Post-crisis reconfiguration of Dutch water aid*

Dutch aid came under considerable pressure in the crisis context sketched above. First, it endured fierce criticism. Such criticism is nothing new in the history of Dutch aid, but it reached new heights from 2007 onwards. This particularly concerned the effectiveness of ‘traditional’ aid, commonly associated with state-led or state-subsidised aid. Moreover, right-wing and nationalist political parties that were in the ascendance post-crisis called into question the very legitimacy of development itself.<sup>10</sup> Second, as mentioned above, austerity implemented by the two post-crisis governments hit Dutch aid particularly hard. The first post-crisis government (2010–12) reduced the amount of official development assistance (ODA) as a percentage of its GDP from 0.8 to 0.7 per cent. The next government (2013–17) introduced another budget cut on top of this, of €1bn annually. Furthermore, what counted as ODA was significantly stretched; climate finance commitments and costs for refugees

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<sup>10</sup> I refer in particular to the aforementioned PVV, and to a lesser extent VVD. The PVV opted for abolition of development aid altogether (PVV 2012) and the VVD for extensive downsizing of aid (VVD 2012), and both emphasised the importance of free trade as a vehicle for global development. Surveys, however, indicated continued popular (societal) support for development (NCDO 2013).



came to count as ODA as well. This catered for right-wing and nationalist voices saying that foreign aid budgets could better be spent on domestic economic recovery and crisis relief measures.

These voices were further catered for by bringing aid more in line with neoliberal ideals through the so-called aid and trade policy lines that the two post-crisis governments pursued. The first post-crisis government laid out the principles for a desired shift from aid to trade (GON 2011). The succeeding government adopted and reinforced these principles in its 'aid, trade and investment' agenda (GON 2013b). This meant reinstating economic growth as the main driver of development and, in line with this, shifting focus from social to economic sectors. The market, private sector and (private) finance were given even more importance than before, as these were assumed to be some of the main vehicles in achieving growth. The number of partner countries was reduced from 33 to 15 and the number of aid priority sectors to four. Between the remaining 15 partner countries and the Netherlands, the Dutch state expected 'reciprocity'. This means that in return for Dutch aid there were obligations for partner countries (GON 2010: 2). In other words, furthering Dutch commercial interests in and through aid – or 'enlightened self-interest' – became once more explicit goals, with the aid and trade agenda stating: 'we fight extreme poverty out of solidarity with people, [while encouraging] trade mainly in our own interest' (GON 2013b: 7).

Water was selected as one of the four priority sectors in this aid and trade agenda. Water has always been part and parcel of Dutch aid and was long considered one of the 'social sectors' along with health and education etc. Under the aid and trade policies, water was baptised as an 'economic sector' (GON 2010). That is, water aid, as well as being 'relevant for poverty reduction', should now also serve 'the Netherlands' economic and other interests' (GON 2013b: 29). This reflects a broader revaluation of water in the Dutch political economy, with water proclaimed one of nine top sectors in the above-mentioned top sector programme. As such, water became endowed with considerable potential for innovation and export growth, to be realised through close collaboration between the state, the private sector and knowledge institutes. This novel status of water as a national economic promise must, in turn, be considered in light of the attention given to water (and the environment more generally) in the international political economy. Indeed, in this international political economy where water and environmental crises are simultaneously framed as socio-economic threats and frontiers for capital accumulation, branding one's waterscape might be a strategic move (Büscher, forthcoming).

While the crisis context thus provided momentum to reform Dutch water aid and bring it more in line with the neoliberal hegemonic, it involved contestation and struggle. In supporting the shift from aid to trade, the two associated state departments of Dutch Aid and Foreign Trade were formally brought together under one roof, the Ministry of Foreign Affairs (MFA). Foreign Trade had hitherto resided under Economic Affairs.<sup>11</sup> This meant that development specialists in the MFA, primarily with links in the Dutch development community, now had to negotiate on development issues with economists of Foreign Trade who were predominantly linked to the Dutch private sector. These two groups differed in their views of development and often clashed in specific processes. The aid and trade agenda provoked criticism from a wider variety of (development) actors, notably for being too vague and for lacking a more substantive theory of development over and above the assumption that the market and more trade would raise standards of living and pull the poor out of poverty.<sup>12</sup> Another argument often brought forward was that in many of the partner countries where the water aid and trade agenda ought to be implemented, including Mozambique, a suitable business environment and well-developed markets were lacking, making it hard to link water aid to trade in the first place.

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<sup>11</sup> The two domains under one roof is not new *per se*; from the late 1940s to the early 1970s, aid expenditure fell under the responsibility of the Ministry of Economic Affairs as did foreign trade (Hoebink 2013).

<sup>12</sup> Interview with an employee of Netherlands Water Partnership (NWP), on 16 May 2016.

Indeed, Mozambique was among the remaining partner countries of the Dutch state. The next sub-sections explore how the aid and trade agenda relates to politico-economic and hydro-social events in Mozambique.

### 6.3 *The water aid and trade agenda in Mozambique*

According to interviewees, the historical ties and strong water aid relations (see section 4) have played an important role in selecting Mozambique as one of the 15 partner countries under the novel aid and trade policy regime. But, so did the consistently high economic growth figures of Mozambique in the past two decades, combined with the gas bonanza. The latter made not only Mozambican agents, but Dutch state agents too view the foreseeable future of Mozambique as very bright. Thus, Mozambique was nominated for a 'transitional, aid-to-trade relationship',<sup>13</sup> in which the initial goal was to phase out Dutch aid and have it replaced by trade within five years. That this was a little too optimistic<sup>14</sup> is an understatement; despite continuous growth, the country was still among the poorest in the world. This was owing not least to trade predominantly focused around so-called megaprojects in the extractive industries, mediated by, and to the prime benefit of, a political and economic elite. And as said, the overall business climate of Mozambique was considered poor, especially in its water sector. Dutch embassy personnel knew this and faced this situation on a daily basis, unlike decision makers in The Hague. The initial goal of phasing out aid was thus contested and opposed, eventually leading to a modification: instead of aid *to* trade, the policy line for Mozambique changed into combining aid *and* trade.

This moderated policy line still meant an intensification of neoliberal and 'nationalist' development discourse and rhetoric in plans for Mozambique. The MFA pushed strongly to 'change our relationship with Mozambique' into a 'more commercial' one.<sup>15</sup> Strategic documents talked about increased private sector participation, innovative business models, new ways to finance water systems and 'improving market access for the Dutch water sector' (GON 2013b: 6).

Relations between such discourse and actual aid practices are certainly complex, and the former is not easily – if at all – translated into the latter. Various obstacles prevented the actualisation of this new policy line. For instance, the Dutch embassy hired an adviser who scoped the possibilities for innovative financing in the Mozambican water sector, but he concluded that neither embassy personnel nor the majority of the Mozambican agents were able or willing to envisage and implement such models. The non-state entities that did most of the work financed by the Dutch state in Mozambique also lacked knowledge in this domain. And poorly developed stock exchange markets in Mozambique prevented setting up a water finance model that involved raising capital from private lenders.<sup>16</sup> Other 'aid and trade' activities, including a water business platform and innovative business models in water and sanitation, proved difficult or impossible to set up. Partly because of such difficulties in turning aid into trade, a good deal of path-dependency was noticeable in how and by whom Dutch water aid was delivered; what interviewees called 'traditional aid' (i.e. state-subsidised aid carried out by public or non-profit entities) remained common practice.

But even though the new policy line was contested, adapted and its actualisation in the water domain troubled, it did mean a continuation of the problematic neoliberal development approach sketched in Section 4. In other words, it would be difficult for agents dependent on Dutch aid and trade financing to propose, let alone pursue, radical alternatives to this approach. Moreover, the pressure from MFA headquarters to adopt and materialise the new policy, combined with major

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<sup>13</sup> The aid and trade policy encompassed two other categories: an aid relationship (only aid) and trade relationship (only trade) (see GON 2013b).

<sup>14</sup> Interview with an employee of the Dutch embassy in Mozambique, 14 February 2017.

<sup>15</sup> Interview with an employee of the Dutch embassy in Mozambique, 14 July 2016.

<sup>16</sup> Interview with a former core water adviser to the Dutch embassy in Mozambique, 23 November 2015.

budget cuts on diplomatic posts, forced the embassy into making some tough choices and adopt a more stringent, less voluntaristic approach. These have put the bilateral water aid relationship under considerable pressure.

An example of such a choice was to focus (water) aid on urban areas, which were considered as having high potential for aid and trade projects and private sector participation. Consequently, the embassy ended its long participation in rural water supply programmes and funds. This sudden and rather unexpected move took the Mozambican counterparts by surprise, as did a different approach pursued by Dutch agents in a water aid programme that the Dutch had financed since 2000. Through this programme, the Dutch facilitated and financed all kinds of water-related activities and costs of the principal water entity in Mozambique, the National Directorate of Water (DNA). The programme was originally introduced to let the Mozambican counterpart be more in charge of its water programmes and priorities. The new policy line however dictated that programmes such as these had to become much more results-based and more responsive to Dutch demands. According to an interviewee, Dutch officials started to 'micromanage' the programme and adopted a different, much more demanding tone in correspondence and meetings.<sup>17</sup> Another example of changes in this programme was that eligibility for tenders for water projects paid for by the programme came to be restricted to Dutch and Mozambican companies. This led a Mozambican senior water bureaucrat to cynically remark that 'at least in this case, Mozambican companies can also apply'.<sup>18</sup> The Dutch state also made the continuation of this programme conditional on the adoption of a strategic plan for reorganising the DNA. When this was rejected by the Mozambican government, the embassy stopped funding the programme, except for activities that were already ongoing. All this led to frictions. And the economic crisis in Mozambique (see Section 5) had yet to kick in.

#### 6.4 *Business as usual?*

The economic crisis in Mozambique added more pressure to the Mozambican and Dutch water aid relationship and revealed the contradictory character of the Dutch aid and trade policy in the Mozambican context more generally. When the debt scandal broke out in Mozambique in April 2016, the Dutch state and almost all other donors suspended direct aid to the Mozambican state. For the Dutch state, this amounted to €10.2million, part of which affected the aforementioned water program (GON 2016b). The donor community wanted to make a statement that this latest exorbitant use of the state for private accumulation by a Mozambican elite would no longer be accepted or condoned. The Dutch state and other donors demanded from the Mozambican government an international audit into the hidden debts in Mozambique, without which 'there can be no business-as-usual' (GON 2016b: 1).

However, only two months after the disclosure of the debts, and before an audit was agreed upon, the Dutch government resumed earlier negotiations on a bilateral tax treaty. This treaty was being negotiated on the instigation of Dutch businesses such as Shell and Heineken, officially to prevent 'double taxation'. But Dutch tax treaties, write Van Beek *et al.* (2019), 'are infamous for the international (tax)fraud they can facilitate'.

Moreover, during that same period, the embassy started preparations for a state visit of the Mozambican President Nyusi to the Netherlands to stimulate bilateral trade in, among others, the water sector (Van Beek *et al.* 2019). This visit took place in May 2017, with the Dutch state being the first of all donors not to await the findings of the audit that had been initiated by then, but resuming business as usual. This triggered controversy in both the Dutch and the Mozambican press, with a

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<sup>17</sup> Interview with a former employee of the Dutch embassy in Mozambique, 8 November 2016.

<sup>18</sup> Interview with an employee of the Mozambican National Directorate of Water, 16 November 2016. In many other similar agreements, Mozambican companies are ruled out of competition and eligibility is restricted to companies from the donor's home country.

Dutch newspaper positing that ‘fraud must not hinder trade’ (NRC 2017). Critical questions were asked in the Dutch Parliament about this event, with the Dutch state arguing that ‘increasing market access and improving the business climate, thereby strengthening the trade relations, are important elements ... to combat poverty and enhance stability in Mozambique’ (GON 2017). However, among the main issues at stake was to have Shell gain ‘market access’ to the recently discovered giant gas fields in the Rovuma basin in north Mozambique. This process would indeed involve business as usual, but of the kind that is familiar to, and highly controversial in, Mozambique, involving:

- contract negotiations between international powers and (representatives of) the national elite of Mozambique and negotiations on tax-friendly measures, thereby:
- reproducing and prolonging the existing extractive based economy with weak links to domestic economic processes, as well as a fossil-fuel based economy with negative socio-environmental impacts (Van Beek et al. 2019).

Another contradictory event was the implication of the Netherlands in enabling one of the debts, through a letterbox company (see Section 5.1). Letterbox companies are part of a controversial but lucrative fiscal structure in the Netherlands. The structure remained intact post-crisis, as it was deemed an important element in the post-crisis objective of enhancing the country’s competitiveness and business-friendly climate. In fact, according to SOMO (2018), ‘flows of foreign direct investment (FDI) through letterbox companies [...] have increased by 75 per cent since the beginning of the financial crisis in 2008’. In 2018, they numbered more than 14,000, and have been responsible for transferring almost €4.5bn of investments around the world (*ibid.*). According to UNCTAD (2015), this makes the Netherlands one of the largest global investors. And through one of these companies, the Netherlands thus became directly implicated in the debt scandal of Mozambique. This is a fine example of an ‘immaterial, but objective’ social relation that, Harvey (2006: 142) argues, ‘can only ever be measured by their effects’.

And such effects are not confined to being implicated in debt scandals. UNCTAD (2015: xiii) estimates that developing countries miss out on at least a \$100bn on tax revenues by investments channelled through offshore hubs such as the Netherlands. Losses of potential tax revenues due to institutions such as letterbox companies or through tax incentives for multinationals have been a major problem in Mozambique as well (Castel-Branco 2014). In light of this, the current mantra about the ‘financing gap’ in the global and Mozambican water sector (e.g. OECD 2010; World Bank 2018), and the apparent need to mobilise private finance and thus accumulate even more debts, becomes a misnomer; there is more than enough money flowing around; the question is: who controls and choreographs those flows, where do they end up, and who benefits?

In all, the Dutch state claimed it would not engage in business as usual until the debt scandal in Mozambique was clarified, but in various ways it continued to do so. This approach is perhaps characteristic of the aid and trade policy, in which a ‘critical’ attitude is allowed as long as trade opportunities are not significantly hindered. As the name suggests, business as usual involves many of the (neoliberal) development recipes that have been widely applied in Mozambique in the past decades, and which have tended to (re)produce patterns of uneven development in the Mozambican political economy and waterscape. This is not to say that Dutch state-funded water aid activities have had no real and positive impact; some have, but such developments take place, in the words of one interviewee, on ‘islands in a sea of misery’.<sup>19</sup> It is to be hoped that the Dutch state will critically rethink its business-as-usual approach rather than (fully) re-embracing it once everything is back to the deeply problematic ‘normal’ in Mozambique.

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<sup>19</sup> Interview with an employee of the Dutch embassy in Mozambique, 26 July 2016.

## 7 Conclusion

As some scholars (e.g. Castree and Christophers 2015; Calvário *et al.* 2017) argue, capitalist crises and the responses they trigger can be used to imagine and pursue more emancipative socio-environmental relations and projects. The two crises discussed in this paper, i.e. the financial crisis in the Netherlands and the debt-scandal-cum-economic-crisis in Mozambique, offered major opportunities, as these have been the deepest capitalist crises that these countries have experienced in decades. And indeed, the crises have led numerous social groups in both countries to deeply reflect on and fight for more just and democratic socio-environmental relations. Notwithstanding the importance hereof and the concrete results they achieve, these have not taken the form and scale on which Castree and Christophers (2015) speculate, such as large-scale finance capital switching into the built environment 'along eco-friendly lines'. For such events it is crucial for states to be part of the game, given the technologies of power they have available.

Neither of the crisis contexts that this paper has dealt with has shown many signs of this occurring. The post-crisis governments of Mozambique and the Netherlands responded to their respective crises with austerity and other measures to stimulate their competitiveness, to revive accumulation and, hence, to return to normalcy, i.e. (high) economic growth. They thus very much resumed, as the previous section indicated, business as usual.

In Mozambique, power remained with the ruling political and economic elite who were generally held mainly responsible for the debt scandal and associated economic crisis. With the crisis quickly deteriorating conditions in the country, they resorted to familiar ways to return to high economic growth, notably speeding up processes to extract natural resources such as gas found in the north of the country. This, however, only deepens the extractive economy that has so far mainly benefited national and international elites. Meanwhile, austerity has hit expenditures in social sectors such as water especially hard, thereby deteriorating already poor living conditions for the majority of Mozambicans. And if this were not enough, the illegal debts have been transferred onto the state's balance sheet, pushing the burden of these debts onto society for a long time to come.

In the Netherlands, the state's austerity measures have impacted hard on social sectors as well. Budget cuts affected Dutch aid, as did reforms and restructuring of aid. With the adoption of the aid, trade and investment agenda, the Dutch state wanted aid to contribute its part to domestic economic recovery and growth. In practice this meant an intensification of neoliberal and financialised perspectives on aid, with the market and private finance gaining ever more important roles. It also kept alive some of the questionable financial services offered by Dutch agents that had, ironically, triggered the crisis in the first place. In fact, the Netherlands has become even more involved in global financialisation, notably through letterbox companies that international businesses use on a large scale to evade paying taxes. By examining (material) aid relations and (immaterial, but objective (Harvey 2006: 142) social relations, I have described how these crisis-induced measures and reforms by the Dutch state have played their part in reproducing neoliberal political economic conditions in Mozambique, and even in triggering the debt scandal in Mozambique.

Building on this, I conclude that the post-crisis responses of the Mozambican and Dutch states combined have coproduced the very conditions that drive the development of Mozambique's waterscape. In Section 4 I sketched what is problematic about Mozambique's waterscape, notably its historical uneven development and the depoliticised hydro-social problem framings and solutions followed by important agents such as IFIs and donors. In order to redress the uneven hydro-social development, a break with water depoliticization is necessary. In particular, it is necessary to couple hydro-social development with Mozambique's particular political economy and associated power relations and politics and, based on this, come to radical proposals for structural change. This is not to

be expected, however, from the current Mozambican or Dutch states whose business-as-usual approaches tend to reproduce rather than redress patterns of uneven hydro-social development. The chance of other donors proposing radical changes is also slim given that nowadays, as one interviewee<sup>20</sup> told me, ‘we [donors] all have aid and trade interests’ (see also Mawdsley 2017).

To finish, this paper has applied a relational approach to studying capitalist crisis and its socio-environmental impacts, based on the notion of variegated capitalism. This allowed me to connect two crises that are spatio-temporally ‘distant’. In terms of temporality, the crisis in the Netherlands broke out more than ten years ago, but the measures taken in response have causal powers to them that operated much longer than only in the immediate post-crisis period. In the spatial sense, such powers also operated far beyond the borders of the Netherlands; indeed, in more and less overt ways they aligned with pre- and post-crisis conditions in Mozambique, with significant socio-environmental and hydro-social ramifications. This also confirms an aspect of variegated capitalism that Sum and Jessop (2013) point at, i.e. the relative weight of political economies in the international economic order, and that some are ‘problem makers’ more than ‘problem takers’. In our case, Mozambique is very much a problem taker, felt most acutely by Mozambicans who are not part of the political and economic elite. The question of ‘problem maker’ is a complex one, with that same national elite having just as much stake in problems created as have international agents involved in, and driving, neoliberal and financialised capitalism.

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<sup>20</sup> Interview with an employee of the Dutch embassy in Mozambique, 26 July 2016.

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### About the author

**Chris Büscher** is a PhD researcher in Development Studies at SOAS, University of London. He completed his MSc in organisational anthropology at the VU University Amsterdam, after which he worked as a social researcher in the Dutch and European water sector from 2008 to 2016. In his part-time PhD, Chris investigates the contradictions involved in applying the current 'aid & trade' development agenda of the Dutch state in the waterscape of Mozambique.

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# Crises in Variegated Capitalism, Co-produced, Hydro-social Impacts

## STEPS Working Paper 108

This working paper asks how two seemingly unrelated crises have jointly reproduced politico-economic and hydro-social conditions in Mozambique. Between 2016 and 2017, in Mozambique, a massive debt scandal saw the country's political economy plunge into a deep crisis. State responses to this crisis, notably austerity measures, deteriorated already challenging hydro-social conditions in the country. In the Netherlands, the post-2008 financial crisis led the Dutch state to implement austerity programmes, as well as other measures and reforms that sought to revive capital accumulation and enhance the economy's competitiveness. This crisis provided momentum for (neo)liberal demands to put aid increasingly to work in support of, and eventually to replace, trade. In the resultant 'aid and trade' agenda, water was designated a priority. This paper examines the impact of this agenda, and other post-crisis reforms, on the politico-economic and hydro-social processes in Mozambique.

In this paper, literature on the political ecology of crisis and austerity is mobilised and adapted through the notion of 'variegated capitalism'. This relational approach helps to make sense of interdependencies between these two crises (and the responses they triggered) in a singular global, but spatially differentiated, capitalism. The paper concludes that, overall, state responses to both crises have accentuated rather than redressed neoliberal ideas and processes that sparked the crises in question. These, in turn, have restrained rather than opened-up the imagination and pursuit of alternatives to problematic pro-market pathways in the Mozambican waterscape.

